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GOI Permits Wheat and Wheat Products Exports

Report Categories:

Grain and Feed

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Report Highlights:

Through official notifications issued on July 3, 2009, the GOI has permitted exports (without any government subsidy) of 900,000 tons of wheat through three public sector trading companies and 650,000 tons of wheat products up to March 31, 2010. Considering the high domestic cost of Indian wheat vis-à-vis global prices, large scale exports of wheat and wheat product appear difficult without a government subsidy.

General Information:

On July 3, 2009, the Director General of Foreign Trade, Ministry of Commerce, issued two official notifications, one permitting exports of 900,000 tons of wheat through three public sector trading companies, MMTC, STC, and PEC without any government subsidy, and the other permitting exports of 650,000 of wheat products (by private or public trading companies), up to March 31, 2010. The official notifications can be accessed from <http://164.100.9.245/exim/2000/not/not08/not11508.htm> and <http://164.100.9.245/exim/2000/not/not08/not11608.htm>.

As the domestic price of Indian wheat is currently much higher than international prices (around \$280 per ton FOB), thanks to the significant increase in the government minimum support price in MY 2009/10, exports without government subsidies appear unfeasible. Furthermore, it is unclear whether the government will make wheat from its own stocks available for export. If the exporting companies have to source wheat from the open market, it would be all the more difficult, as most marketable surplus of wheat has already been procured by the government under the price support operation. Wheat procurement by the government this marketing year has already reached a record 25.0 million tons against 22.7 million tons procured in MY 2008/09. Exports of wheat products from India also will be difficult because of the high domestic price of wheat.

In an effort to contain food price inflation, the GOI imposed an export ban on wheat in February 2007 and a ban on wheat products in October 2007. However, following bumper wheat harvest in 2008 and 2009 and record wheat procurements by the government under the price support operation, government wheat stocks grew to an estimated 35 million tons on July 1, 2009. Combined with large rice stocks, the government is now facing a shortage of covered storage space for grains. This may explain the timing of the government's announcement to allow exports of wheat and wheat products.

Wheat exports are currently expected to reach one million tons in MY 2009/10, with shipments destined mostly to neighboring areas like Bangladesh, Sri Lanka, the Middle East and South East Asia due to freight cost advantages, assuming global wheat prices will firm up later in the season.